

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
HOWARD COUNTY RETIREMENT PLAN**

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

September 20, 2018

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, September 20, 2018 at 9:00 a.m. in the C. Vernon Gray Room at the George Howard Building, 3430 Court House Drive, Ellicott City, Maryland 21043.

Police and Fire Plan:

Members Present:

Chief Administrative Officer: Lonnie Robbins
Director of Finance: Janet Irvin
Representative, Fire and Rescue Supervisory Employees:
Vincent Baker
Representative, Howard County Police Officers' Association, Lodge 21:
Craig Hoover
Representative, International Association of Firefighters, Local 2000:
Richard Ruehl

Members Absent

Human Resources Administrator: Wanda Hutchinson
Budget Director: Holly Sun
Representative, Police Department Supervisory Employees:
Jason Luckenbaugh

Employees Plan:

Members Present:

Chief Administrative Officer's Designee: John Peterson
Acting Deputy Director of Finance: Angie Price
Budget Administrator Designee: Janssen Evelyn (arrived 9:15 a.m.)
Employee Representative: Jeff Bronow
Representative, American Federation of State, County and
Municipal Employees Local 3080: Kim Drennon
Representative, American Federation of State, County and Municipal
Employees Local 3085: Dale R. Chase

Members Absent

Human Resources Administrator: Wanda Hutchinson

Also present for all or a portion of the meeting were:

Steve Peters, County Auditor's Office
Sima Taghavi, Department of Finance
Lori Buchman, Department of Finance
Thomas Lowman and Ann Sturner of Bolton Partners
Trevor Jackson, Summit Strategies Group
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Scott Southern, Retirement Assistant
Teresa M. Reider, Retirement Coordinator
Jamar Herry, Office of Law

Lonnie Robbins acted as Chair and Paul Madden acted as Secretary of the Meeting.

The meeting convened at 9:04 a.m. The minutes of the June 28, 2018 and July 25, 2018 meetings were unanimously approved.

Richard Ruehl thanked those present for support during a very trying time following the death of a fire fighter in the line of duty.

Trevor Jackson of Summit Strategies and Mike Welker of AndCo. Consulting addressed the Joint Committee about recent transactions involving Summit Strategies, Mercer and AndCo. Summit was acquired by Mercer; however, Mercer declined Summit's public plan business. Summit Strategies issued an RFP to find an organization that would accept Summit's public plan business. There were four bidders and Summit selected AndCo. AndCo provides investment consulting services for nearly 400 public funds. As part of the transition, Trevor Jackson will move from Summit Strategies to AndCo. Summit Strategies and AndCo have drafted an assignment agreement under which Summit would assign the existing contract between Howard County and Summit to AndCo. After addressing questions from the members, Messrs. Jackson and Welker left the meeting.

After discussion, a motion duly made and seconded and unanimously approved, the Committees agreed to assign the Summit contract to AndCo, subject to legal review and completion of due diligence. Trevor Jackson and Mike Welker returned to the meeting.

Next, Tom Lowman of Bolton presented the Experience and Assumption Study which Bolton conducted for the Employees Plan. The experience study was based on a review of demographic and economic experience for the Plan from July 1, 2013 through June 30, 2017. Bolton viewed all demographic and economic assumptions and made a number of recommendations, three of which will have a significant impact on the employer contribution rate. First, with regard to mortality, Bolton recommends adopting the RP 2014 Combined Mortality Table with generational projection using scale MP-2017 for males and females. Tom Lowman indicated that this would be a temporary change. Once final Pub-2010 tables are final, there may be a recommendation for further changes. Second, Bolton recommends that the

Committee consider lowering the investment return assumption of 7.5% net of investment expenses to 7.25% net of investment expenses. Tom suggested that the changes could be phased in over a number of years. It was noted that currently the assumed rate of return rate is 7.5% which includes a 2.75% inflation assumption and a 4.75% real investment return. Bolton recommends lowering the inflation assumption from 2.75% to 2.5%. Lowman noted that if the Committee follows the recommendation to lower the inflation assumption from 2.75% to 2.50%, and if Summit raises its inflation assumption from 2.0% to 2.5%, the ranges of returns expected by Summit will be 7.1% (10 year) to 7.8% (30 year). Both the 7.5% return assumption and the 7.25% return assumption are within this range. Mr. Lowman indicated that the impact of the changes, if applied to the fiscal year of 2019 actuarially determined contribution would be an increase in the employer contribution from 11.5% to 12.0% (with a 7.50% net investment return assumption). The employer contribution would be expected to rise to 12.7% the Committee adopts a 7.25% net investment return assumption.

Next, Ann Sturner presented the Experience and Assumption Study for the Police and Fire Plan. The experience study was based on a review of demographic and economic experience for the Plan from July 1, 2013 through June 30, 2017. Bolton viewed all demographic and economic assumptions and made a number of recommendations, two of which will have a significant impact on the employer contribution rate. As with the Employees Plan, Bolton recommends adopting the RP 2014 Combined Mortality Table with generational projection using scale MP-2017 for males and females. Ms. Sturner indicated that this would be a temporary change. Once final Pub-2010 tables are final, Bolton may recommend further changes. The change to the mortality assumption, if applied to FY2019 would increase the FY 2019 employer contribution rate from 33.1% to 34.2%.

As with the Employees Plan, Bolton also recommends that the Committee consider lowering the investment return assumption of 7.5% net of investment expenses to 7.25% net of investment expenses. Currently the assumed rate of return rate is 7.5% which includes a 2.75% inflation assumption and a 4.75% real investment return. Lowering the investment assumption to 7.25% would increase the FY 2019 employer contribution rate to 38.0%.

Next Trevor Jackson of Summit Strategies Group presented the Investment Performance Review for periods ending June 30, 2018. As of June 30, the market value of the total fund is \$1.0 billion. The fiscal year return for the Plan was 9.01% which placed the Plan in the 37th percentile as against peers. The three, five and 10 year returns were 7.64% (22nd percentile), 5.38% (42nd percentile) and 7.47% (58th percentile), respectively. Furthermore, above median performance has been achieved with lower than median risk. Trevor noted that manager selection added value and that hedge funds and U.S. equities did well. On a calendar year-to-date basis, Brown Capital Management had a return of 17.90% (18th percentile) and Investment Counselors of Maryland had a return of 7.71% (19th percentile).

Next, the Committee reviewed the report of the Investment Subcommittee on the Emerging Markets Manager Search. After interviewing Baillie Gifford, GQG Partners and RWC, the Committee recommended GQG Partners as the emerging markets growth manager for the Master Trust. The Committee also recommended an allocation of \$35 million to GQG Partners. After discussion and upon motion duly, made and seconded and unanimously approved, the Committee adopted the recommendations of the Investment Subcommittee.

Next, Jamar Herry and Jeff Bronow advised the Committee on the proposed portfolio monitoring contract with Robbins Geller. Robbins Geller would provide portfolio monitoring at no cost to the Plans. Jamar noted that the Office of Law had some concerns with the contract language. The Joint Committee approved Jamar and Jeff to proceed with negotiations with Robbins Geller to present a contract at an upcoming joint meeting.

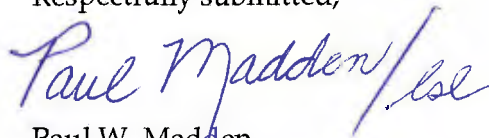
At 11:52 a.m., a motion was made by Dale Chase and seconded by John Peterson to close the meeting of the Employees Plan pursuant to General Provisions Article § 3-305(b) to consider the investment of public funds and to comply with a specific constitutional, statutory or judicially imposed requirement that prevents public disclosure about a particular matter or proceeding. John Peterson, Angie Price, Janssen Evelyn, Jeff Bronow, Dale Chase and Kim Drennon voted in favor of the motion. Wanda Hutchinson was absent, there were no negative votes or abstentions.

At 11:53 a.m., a motion was made by Richard Ruehl, seconded by Craig Hoover to close the meeting pursuant to General Provisions Article § 3-305(b) to consider the investment of public funds and to comply with a specific constitutional statutory or judicially imposed requirement that prevents public disclosures about a particular matter or proceedings. Janet Irvin, Lonnie Robbins, Craig Hoover and Richard Ruehl voted in favor of the motion, Wanda Hutchinson, Holly Sun, Jason Luckenbaugh and Vincent Baker were absent. There were no negative votes or abstentions. Scott Southern attended the closed session at the invitation of the Joint Committee. During the closed session, representatives of Aether Investment Partners, LLC presented their report on the performance of Aether funds in which the Master Trust has invested. No action was taken during the closed portion of the meeting.

At 12:30 p.m., the motion reopened. After discussions, Scott Southern was directed to add the issue of personnel to the agenda for the next meeting.

The meeting adjourned at 12:45 p.m.

Respectfully submitted,

A handwritten signature in blue ink that reads "Paul W. Madden" followed by a stylized flourish or initials.

Paul W. Madden
Secretary of the Meeting

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